

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
March 27, 2002
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on March 27, 2002 in the Auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: Chairman Gregory Jones and Members Ira Rogal, Elzie Higginbottom, Robert Mariano, and Tobias Barry.

Also in attendance were: Administrator Philip Parenti, Deputy Administrators Thomas Swoik, Joseph Haughey, Allan McDonald, James Wagner, Chief Legal Counsel Mark Ostrowski, Deputy Chief Legal Counsel Jeannette Tamayo, and other members of the staff.

Chairman Jones convened the March 27, 2002 Regular Meeting at 9:42 A.M. in the 3rd floor Board Conference Room. Member Mariano moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (11), (14), and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act to discuss the following subject matters:**

- 1. Pending litigation and matters involving probable litigation;**
- 2. Investigations concerning applicants and licensees;**
- 3. Personnel matters; and**
- 4. Closed session minutes.**

Member Barry seconded the motion. The Board adopted the motion by unanimous consent and retired to closed session.

The Board convened its Open Session at 4:20 P.M.

Chairman's Report

Chairman Jones read a news release by the Illinois Gaming Board regarding the rejection of the settlement proposal made by Emerald Casino, Inc. Chairman Jones read that the Board rejected considering Emerald's settlement proposal in a Closed Session during its regular Board meeting in February. Chairman Jones read that the Illinois Open Meetings Act allows the Board to decline to consider settlement proposals made as part of litigation in Closed Session without a public vote. Chairman Jones read that if the Illinois Gaming Board ever takes final action of any kind regarding the Emerald Casino license, it will be done in Public Session with ample prior notice to the public and press. Chairman Jones stated that copies of his statement would be available after the meeting.

Chairman Jones read a news release by the Illinois Gaming Board regarding subpoenas by federal authorities. Chairman Jones read that since November 2000, the Illinois Gaming Board has responded appropriately to federal authorities that have subpoenaed documents from the Board. Chairman Jones read that federal authorities had previously issued a broad subpoena on January 22, 2002, and that the current subpoena is a continuation of that subpoena requesting a variety of administrative records. Chairman Jones read that the Board is confident that Administrator Philip C. Parenti, Chief Legal Counsel Mark Ostrowski and the entire Gaming Board staff will continue to implement the dictates of the Board while diligently serving the people of the State of Illinois and protecting the integrity of the regulatory process.

Administrator's Report

Administrator Parenti read a letter regarding Silicon Gaming, Inc., who is requesting to withdraw their gaming supplier application. Administrator Parenti also addressed a public safety issue: preventative measure against robberies of casino patrons. Administrator Parenti stated that most casinos offer a cash-out by check instead of cash. Administrator Parenti stated that staff conducted a survey of the casinos, and only one casino has a minimum cash-out amount, and two casinos only offer a cash-out by check during business hours. Administrator Parenti stated that staff anticipates that all casinos will be uniform and offer cash-outs by check as an advertised policy during all hours of operation. Administrator Parenti stated that this procedure would minimize patrons' threat of a robbery. Administrator Parenti stated that staff would be holding a General Managers meeting. Administrator Parenti stated that there would be separate meetings regarding affirmative action, self-exclusion rule implementation, uniformity and due diligence, and credit issues. Administrator Parenti stated that he intends to get industry input from the General Managers regarding credit issues at the General Manager meetings. Administrator Parenti stated that staff is in the process of analyzing significant changes in the way casinos issue credit. Administrator Parenti stated that staff is looking at a uniform credit and check cashing application; analyzing in-person credit verification; considering limitations on holding markers more than 30 days; and analyzing the process of using markers to pay off other markers. Administrator Parenti stated that staff has concerns regarding gift certificate redemption and the redemption of gift certificates at gaming cages for cash. Administrator

Parenti stated that staff wants to limit gift certificate redemption. Administrator Parenti stated that staff is also looking into cash advance fees at credit card machines. Administrator Parenti stated that staff would be calling a General Managers meeting to discuss cashless wagering; computer access and its security measures; underage patrons and security training to detect underage patrons; uniform employment applications; patron intoxication; and unattended minors in vehicles.

Public Commentary

Senator Patrick O'Malley was present to discuss the MGM/Emerald deal. Senator O'Malley congratulated the Board on deciding to reject the proposed MGM/Emerald deal. Senator O'Malley also requested that the Board forego any decisions about the issuance of the 10th casino gambling license until decisions are made in the legislature about how gambling in Illinois is authorized. Senator O'Malley talked about Senate Bill 1800, which calls for the competitive bidding of the 9 existing licenses once they are up for renewal. Senator O'Malley stated that it is estimated that his proposal would generate \$16 billion dollars in new revenue for Illinois. Senator O'Malley stated that the groups or entities who win the licenses through competitive bidding would be the license holders in perpetuity as long as they comply with the Act and the Rules. Senator O'malley stated that there is clear and convincing evidence that Illinois citizens have been getting "short shrifted" by the current system of awarding casino gambling licenses. Senator O'Malley stated that it is clear that the State needs a new paradigm, and competitive bidding is an integral part of the needed reform.

Joe Wiegand, Executive Director, Family Taxpayers Foundation, was present to discuss the proposed buyout of Emerald Casino, Inc. by MGM Mirage, Inc. Mr. Wiegand thanked the Board for rejecting the proposed buyout and implored the Board to reject any deal that attempts to refund investors in the Emerald Casino proposal. Mr. Wiegand stated that each day the citizens of Illinois lose millions of dollars in games of risks at Illinois casinos, racetracks, and lottery merchants. Mr. Wiegand stated that Emerald casino investors placed a bet on an ill-considered and risky scheme. Mr. Wiegand stated that when the Board rejected and revoked Emerald's license, Illinois taxpayers could have exaltedly shouted, "house wins". Mr. Wiegand quoted a February 27th article from the Daily Herald newspaper regarding the Emerald/MGM deal. Mr. Wiegand stated that the article read that the deal was still alive and being considered according the Illinois Gaming Board's Administrator on Tuesday, the 26th. Mr. Wiegand quoted the article, stating that the Administrator said, "I wasn't finished negotiating." "This is not some kind of consummated settlement, and the Board has yet to fully consider all of the ramifications of it." Mr. Wiegand then posed a question on behalf of the Family Taxpayers Foundation: Is it the Board or the Administrator speaking and negotiating for the Board? Mr. Wiegand urged the Board to not approve any scheme that would bring a gambling operation to Rosemont. Mr. Wiegand asked that the Board - via auction - return the license to the Mississippi River or to another river in Illinois where local citizens might desire the short-term gain of a riverboat gambling operation. Mr. Wiegand stated that Senate Bill 1800 is a reasonable and fair solution to the current bilking of Illinois taxpayers.

Susan S. Gouinlock, Executive Director, Illinois Casino Gaming Association, was present to discuss Adjusted Gross Receipts (AGR), the tax base for the Wagering Tax, and the proposal that casino licenses should be auctioned to the highest bidder when they are up for renewal. Ms. Gouinlock explained AGR, which is gross revenue, or money collected, before any expenses are paid. Ms. Gouinlock stated that the media usually erroneously reports the published AGR figures as casino “profits.” Ms. Gouinlock stated that those that oppose gambling on moral or religious grounds and certain political figures use these grossly inflated “profits” as a basis for urging restrictions on casino operations. Ms. Gouinlock used the analogy to a hardware store to help illustrate the nature of AGR. Ms. Gouinlock stated that before you can get to a profit figure for the store, you have to deduct from gross revenue the amount the store has to pay to its suppliers for the products it sells to the public, sales tax, income tax, real estate taxes and payroll taxes. Ms. Gouinlock stated that other expenses include the wages paid to store employees, their health insurance costs, the cost of insuring the store against natural disasters, lawsuits by employees and customers, and marketing costs. Ms. Gouinlock stated that the hardware store has to pay interest to the bank on its mortgage and on any other amounts borrowed to build or improve the store. Ms. Gouinlock stated that all of these items must be deducted from the amount of money the hardware store takes in at the cash register to arrive at the much smaller figure that constitutes profit. Ms. Gouinlock stated that the casino business could be understood in the same way as the hypothetical hardware store. Ms. Gouinlock stated that AGR is analogous to the amount of money collected by the hardware store at the cash register. But unlike the hardware store, the casino pays 15% to 35% right off the top to Illinois pursuant to the Wagering Tax. In addition, the casinos pay an Admissions Tax of \$2.00 on every person who walks in the door, whether or not they gamble. Ms. Gouinlock stated that with regards to bidding for licenses, auctioning casino licenses would not produce additional revenue, but would in fact sharply reduce economic development and decrease revenue to Illinois. Ms. Gouinlock stated that the recent political discussions of casino “windfall profits,” higher taxes, and auctioning of licenses either ignore the realities of casino operations or demonstrate a lack of understating of the fundamental concepts involved. Ms. Gouinlock stated that in either case, decisions based on rhetoric instead of fact would be unjust and would do a grave disservice to an industry that has pumped \$3 billion dollars into state and local coffers in gambling taxes, invested \$965 million in capital, and injected billions of dollars in salaries, wages and benefits into Illinois’ economy.

Owner Licensee Items

HARRAH'S CASINO, JOLIET – REQUEST TO REMOVE RIVERBOAT FROM OPERATION – John Janicik, Attorney, was present on behalf of Harrah's Casino Joliet to request permission to remove its riverboat from operation. Mr. Janicik stated that under the Rules, Board approval is required before disposing of assets worth more than a million dollars. Mr. Janicik stated that the recent construction of the new barges put the old boats in a position to be disposed.

Chairman Jones asked if the statute that allows dockside gambling is found unconstitutional, how would Harrah's be able to operate. Mr. Janicik stated that Harrah's has been working with the staff on a satisfactory contingency plan. Mr. Janicik stated that the use of the boats in question are not necessary to accomplish that contingency plan, so the availability in the market of other boats would be the source of an alternative if it became necessary.

Based on the staff's review and recommendation, Member Higginbottom moved that **the Board approve the request of Harrah's Casino Cruises Joliet to remove the Northern Star and the Southern Star II from its operation and pursue the potential sale of these vessels.** Member Higginbottom further moved that **the Board delegate to the Administrator, under Board Rule 3000.230(d)(2), final approval of the transaction upon execution of the appropriate documents.** Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman Jones noted to the other licensees that are moving to barges that there will have to be a similar contingency plan developed with the staff if they intend to sell their existing riverboats. Chairman Jones stated that he feels that establishing a contingency plan is a prudent way for the industry and for the Board, as regulators, to ensure the protection of the industry.

EMPRESS CASINO – CARLOS M. DOMINGUEZ III, DIRECTOR OF INFORMATION SERVICES – LEVEL ONE – Doug Ferrari, General Manager, was present on behalf of Carlos M. Dominguez III to request approval as a Level One.

Based on a review of the staff's investigation and recommendation, Member Mariano moved that **the Board approve Carlos M. Dominiguez III as a Level 1 Occupational Licensee of Empress Casino Joliet Corporation.** Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

Suppliers Licensees

ATRONIC CASINO TECHNOLOGY, LTD. – LICENSE RENEWAL – Rick Trachok, Attorney, and Rolf Klug, CEO, were present on behalf of Atronic Casino Technology, Ltd. to request approval for license renewal.

Based on a review of the staff's investigation and recommendation, Member Rogal moved that **the Board approve the Supplier's license of Atronic America, LLC for a term of 4 years expiring 2006, and impose the following condition:**

1. **That all future required submissions, including annual Supplier's License renewal updates, be submitted to the Illinois Gaming Board in a complete and timely manner.**

Member Rogal further moved that **the Board certify and approve the following positions and individuals as Key Persons of the licensee:**

1. **Chief Executive Officer;**
2. **Paul Gauselmann;**
3. **Michael Gauselmann; and**
4. **Rolf Klug.**

Member Rogal further moved that **the Board approve Atronic America, LLC to manufacture, sell or lease EGD's pursuant to the requirements set out in the Board's Adopted Rules.** Member Mariano seconded the motion. The Board approved the motion unanimously by voice vote.

BUD JONES COMPANY, INC – LICENSE RENEWAL – Laura McAlister-Cox, Attorney, was present on behalf of Bud Jones company, Inc. to request approval for license renewal.

Based on a review of the staff's investigation and recommendation, Member Mariano moved that **the Board approve the Supplier's license of The Bud Jones Company, Inc. for a term of 4 years expiring 2006, and impose the following condition:**

1. **The Bud Jones Company, Inc. is to designate an individual who is responsible for the timely dissemination of required information to the Illinois Gaming Board.**

Member Mariano further moved that **the Board certify and approve the following entities, positions and individuals as Key Persons of the licensee:**

1. **Holding Wilson;**
2. **Etablissements Bourgogne et Grasset (B & G);**

3. **Chief Executive Officer;**
4. **President;**
5. **Gerald P. Charlier; and**
6. **Francois G. Carrette’.**

Member Mariano further moved that **the Board authorize The Bud Jones Company, Inc. to manufacture, sell or lease the following products in the State of Illinois:**

Dice; Gaming chips; Roulette Wheels; Big Six Wheels; Gaming Tables; Layouts for Blackjack; Let It Ride, Baccarat; Big Six; Craps; Sic Bo; Poker; Three Card Poker; Caribbean Stud Poker and Multi-Action Blackjack.

Member Higginbottom seconded the motion. The Board approved the motion unanimously by voice vote.

WMS GAMING, INC. – LICENSE RENEWAL – Donna More, Attorney, was present on behalf of WMS Gaming, Inc. to request approval for license renewal.

Based on a review of the staff's investigation and recommendation, Member Rogal moved that **the Board approve a restricted Supplier's license of WMS Gaming, Inc. for a term of 1 year expiring March 2003 and approved WMS Gaming, Inc. to provide EGD's pursuant to the requirements set out in the Board's Adopted Rules.**

Based on the staff's investigation and recommendation, Member Rogal further moved that **the Board certify and approve the following positions, entities, and person as Key Persons of the licensee:**

1. **President/Chief Executive Officer;**
2. **Chief Operating Officer;**
3. **WMS Industries, Inc.; and**
4. **WMS Games, Inc.**

In the event that WMS Gaming, Inc. fails to make an appropriate and timely request as specified in Board Rule 3000.405 for a hearing within 5 days of delivery of the written restriction of licensure, this action of the Board shall become the final action of the Board restricting the Suppliers license application for one year.

Member Rogal further moved that **the Board certify the following persons and entity as Key persons of the licensee:**

1. **Sumner M. Redstone;**
2. **Louis Nicaastro;**
3. **Brian R. Gamache;**

4. **Orrin Edidin; and**
5. **National Amusements, Inc.**

Member Higginbottom seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licensees

Based on the staff's investigation and recommendation, Member Mariano moved that **the Board approve 33 applications for an Occupational License Level 2 and 160 applications for an Occupational License Level 3.** Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

Disciplinary Complaints

HARRAH'S CASINO, JOLIET – ROYALTY AGREEMENT – PROPOSED COMPLAINT & RESOLUTION – Karen Wosnack, Attoreny, was present on behalf of Harrah's Casino Joliet.

In Re The Disciplinary Complaint of Harrah's Illinois Corporation and Des Plaines Development Limited Partnership d/b/a Harrah's Casino Cruises Joliet - For the reasons stated by staff, Member Higginbottom moved that **the Board issue a Disciplinary Complaint against Harrah's Illinois Corporation for its failure to report a Related Party transaction in violation of the Board's Adopted Rules and against Des Plaines Development Limited Partnership d/b/a Harrah's Casino Cruises Joliet for its failure to report a Related Party transaction in violation of its Internal Control System.**

Member Higginbottom further moved that **the Board impose a fine of \$ 15,000 on Harrah's Illinois Corporation and \$ 10,000 on Des Plaines Development Limited Partnership d/b/a Harrah's Casino Cruises Joliet, said actions to take effect twenty-one days from the date of service of the complaint unless the licensee files an Answer within that time period.**

Based on legal counsel's recommendation, Member Higginbottom further moved that **the Board accept the proposed settlement agreement between the Board, Harrah's Illinois Corporation and Des Plaines Development Limited Partnership d/b/a Harrah's Casino Cruises Joliet and delegate to the Administrator the authority to execute such agreement upon payment of the fines.** Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearing/ALJ Report

IN RE THE EXCLUSION OF JOHN M. CARACCI - Pursuant to Board Rule 405(d), Member Mariano moved to **allow John M. Caracci's motion to withdraw his request for hearing filed in the matter of In re The Exclusion of John M. Caracci, No. EX-01-01.** Member Mariano further moved that **the Board authorize legal counsel to present the motion to withdraw the request for hearing to Administrative Law Judge Steven Saltzman for disposition of this matter in accordance with the decision of the Board.** Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

IN RE THE DISCIPLINARY ACTION OF ELGIN RIVERBOAT RESORT D/B/A GRAND VICTORIA CASINO, PETE DOMINGUEZ, SCOTT ENSLIN AND EDWARD CISOWSKI. NO. DC-01-08 - Based on staff's recommendation, Member Rogal moved that **the Board accept the proposed settlement agreement pertaining to Pete Dominguez and delegate to the Administrator the authority to execute such agreement.**

Member Rogal further moved that **the Board authorize legal counsel to present the settlement agreement to Administrative Law Judge Patricia Holland for disposition of this matter, as it pertains to the individual petitioner only, in accordance with the terms of the settlement agreement.** Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

Board Member Comments

Chairman Jones stated that in the past there have been questions from the media regarding the topics that are discussed during Closes Session. Chairman Jones stated that there are times when the public wonders why it takes so long for the Board to retire from Closed Session and convene Open Session, mainly because the public agenda is not very specific about what is being discussed during Closed Session. Chairman Jones stated that the Board is considering implementing a policy where the public agenda would reflect what is going to be discussed during Closed Session. Chairman Jones stated that the agenda would not be in detail but the public would be able to see the topics that are going to be discussed to the extent that it is permissible for the Board to do so. Chairman Jones stated that there are some topics that the Board cannot disclose, other than in a very generic manner, and that there are other topics that could be disclosed in more detail. Chairman Jones stated that the new agenda would help the public and the media to be able to understand the kinds of things that the Board is dealing with during Closed Session.

Chairman Jones announced the retirement of Tom Swoik, Deputy Administrator for Administration. Chairman Jones stated that Mr. Swoik was the overseer of the Springfield office for more than seven years. Chairman Jones stated that prior to that, Mr. Swoik has had a long and distinguished career with state government and has been with state government for a total of 26 years. Chairman Jones stated that Mr. Swoik has been a real asset to every

Board that he has served under. Chairman Jones stated that Mr. Swoik's budgeting advice has been instrumental to the Board.

Member Rogal stated that he recently had the opportunity to sit down and talk with Mr. Swoik regarding the Board's budget. Member Rogal stated that Mr. Swoik's ability to handle the budget over the years and during the difficult fiscal condition of the State is remarkable. Member Rogal stated that it would not be easy to find someone who has the same level of experience as Mr. Swoik.

Member Mariano stated that much is written about people who serve in government, but little is written or said about people who serve tirelessly in government, committing themselves to the people of the State of Illinois. Members Mariano stated that one of the reasons why state government works is because of people like Mr. Swoik. Member Mariano stated that Mr. Swoik has devoted his life to government service and has done it with the highest level of integrity. Member Mariano stated that it has been his pleasure to work with Mr. Swoik and that he wished Mr. Swoik the best.

Member Higginbottom echoed the statements made by Member Rogal and Member Mariano. Member Higginbottom stated that it has been a pleasure working with Mr. Swoik, and that Mr. Swoik is going to be sorely missed. Member Higginbottom wished Mr. Swoik well.

Administrator Parenti reflected back to a meeting Mr. Swoik attended with him in front of the appropriations committee. Administrator Parenti stated that the budget was discussed during the meeting, and Administrator Parenti shared with the committee that he has only been Administrator for a little over four months and he couldn't possibly know the budgetary figures without having a person like Mr. Swoik. In reference to Mr. Swoik's Springfield staff, Administrator Parenti stated that he has never seen a staff more devoted to its supervisor. Administrator Parenti wished Mr. Swoik well.

Chairman Jones stated that on behalf of all the other Board members he has served with, they all valued Mr. Swoik's judgement, and his abilities to handle things. Chairman Jones presented Mr. Swoik with a certificate and an IGB badge, which reflects the dates of Mr. Swoik's service with the Board.

Mr. Swoik stated that it is easy to look good when you have a great staff. Mr. Swoik stated that he appreciates all of the kind comments made by the Board and staff. Mr. Swoik stated to the Board that they have a great group of people working for them, and that they are all hard workers that are not representative of the “typical state employee” that is often heard about.

At 5:20 Member Barry moved that the Board adjourn. Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

Respectfully submitted,
Monica Thomas

Secretary to the Board